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STATE OF MONTANA
DEPARTMENT OF INSTITUTIONS
SWAN RIVER YOUTH FOREST CAMP

Report on Examination of
Financial Statements
For the Fiscal Year
Ended June 30, 1980

Conducted under contract by
JACKSON, DAVIS & CO.
Certified Public Accountants

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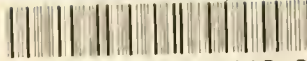
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DEPARTMENT OF INSTITUTIONS
SWAN RIVER YOUTH FOREST CAMP

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122



MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

October 1980

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Swan River
Youth Forest Camp for the year ended June 30, 1980.

The audit was conducted by Jackson, Davis and Company under a
contract between the firm and our office. The comments and recom-
mendations contained in this report represent the views of the firm
and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Morris L. Brusett".

Morris L. Brusett, C.P.A.
Legislative Auditor

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ADMINISTRATIVE OFFICIALS

Department of Institutions:

Lawrence M. Zanto, Director

Daniel D. Russell, Administrator of Correction Divisions

Swan River Youth Forest Camp:

Melvin R. Mohler, Superintendent

Gerald E. Underwood, Assistant Superintendent

Donald Huwe, Director of Counseling

SUMMARY OF RECOMMENDATIONS

1. Maintain the Custodial Fund non-treasury bank account, but record the transactions on SBAS, at least monthly, via journal entries.
2. Establish general ledger control over all fixed assets as of July 1, 1980.
3. Add equipment items each month by reference to SBAS details for equipment expenditures.
4. Obtain written authorization from the department director for, and an attorney's opinion as to the legality of, the use of the two state vehicles by the superintendent and assistant superintendent.
5. Include complete and detailed descriptions of all transactions within the custodial fund and SBAS, and insure that all necessary substantiating documentation is attached to copies of source documents and referenced in the description.
6. Establish a policy for more complete review of building projects by responsible agencies to insure that payment is not made until work is satisfactorily completed.
7. The Housing and Maintenance Fund should be transferred from the non-treasury bank account to the state treasury at fiscal year end. As of June 30, 1980 it has not been transferred.
8. Stale dated checks should be written off after they have been outstanding for one year. This should be done at six month intervals.
9. Listing references on deposit slips should be the same as those used in the cash receipts journal and on the cash receipts so they can be easily cross referenced.
10. Records of fixed assets should be maintained so that for particular division of the agency a certain employee is accountable and responsible for property assigned to that division.
11. A work order system should be used for major repair jobs.
12. The fixed asset card catalogue needs to be accurately filed.

13. Establish procedures to provide employees the opportunities to fill out a new W-4 every year or two.
14. Establish a procedure to file all pink copies of "Payroll Status Form" together in each individuals personal file.
15. Establish a master file for all yellow copies of "Payroll Status Form". The file should contain only the yellow copy and contain all employees.
16. The planer part of the old sawmill mentioned in the previous audit points has been incorporated with the new sawmill. The rest of the sawmill equipment should be declared surplus and disposed.
17. One person is responsible for all the inventory control and warehousing. Purchasing and receiving of inventory should be segregated duties.
18. A physical count of inventory is not done on a regular basis. This should be done quarterly and supervised by persons not associated with physical control of inventory, purchasing, receiving and maintenance of inventory control records. Written instructions which detail inventory procedures should be prepared for those participating in the physical count. The physical inventory counts should be reviewed for reasonableness of amounts by employees not involved in physical control of inventory.
19. Reconciliation of physical inventory to perpetual records should be reviewed by a responsible accounting official with proper resolution of all discrepancies by administrative personnel.

Jackson, Davis & Co.

STEVEN R. JACKSON, C.P.A.
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Telephone (406) 676-0282

October 13, 1980

Legislative Audit Committee
of the Montana State Legislature

We have examined the financial statements of the various funds and account groups of the Swan River Youth Forest Camp for the one year ended June 30, 1980, listed in the table of contents of this report. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the various funds and account groups of the Swan River Youth Forest Camp at June 30, 1980 and the results of operations of such funds for the one year period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with the instructions of the Legislative Auditor, financial statements for the custodial fund have not been presented since they are not included on the Statewide Budgeting and Accounting System. However, a summary of activity in this fund has been prepared and is included as a supplemental schedule. We have also prepared a schedule of activity of the remodeling project which is also included as a supplemental schedule. The supplemental information has been subjected to tests and other auditing procedures applied in the examination of the financial statements mentioned above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



JACKSON, DAVIS & CO.
Certified Public Accountants

SWAN RIVER YOUTH FOREST CAMP

COMMENTS & RECOMMENDATIONS

I. General

The Swan River Youth Forest Camp is a minimum security facility under the State of Montana Department of Institutions. The residents are first offenders between the ages of 16 and 25. The objectives of the camp are to return the residents to society as productive, well-adjusted, self-reliant individuals capable of making proper decisions and functioning without difficulty in the community.

State law (Section 80-1412, RCM 1947) requires that "...a work program shall be provided by the Department of Natural Resources and Conservation and shall be carried out with cooperation between the department and the Camp Superintendent." The camp is located in the Swan River State Forest. Personnel of the State Forestry Division provide instruction in all phases of forestry and the residents gain practical experience by working on forestry work crews. Other fields of work that the residents gain experience in include carpentry and mechanics. The routine maintenance of the camp such as laundry, food service and ground maintenance is also performed by the residents.

Educational programs are available to aid residents in attaining General Equivalency Diplomas and drivers licenses. Also, remedial english and mathematics classes are offered.

The camp employs approximately 28 people, including the superintendent and assistant superintendent, a counseling staff of 12, a tutor, a vocational education instructor, cooks, maintenance workers, cottage life attendants or night men and office staff.

The camp administers four funds: the General Fund, Federal and Private Revenue Fund, the Clothing Store Fund and the General Fixed Assets Fund. Expenditures within the first three funds are segregated as to the program which benefited from the expense.

The programs in the fiscal year ended June 30, 1980 included administration and support and developmental services.

The money in the Custodial Fund non-treasury bank account includes money being held for residents, proceeds from the craft program, boxing fund, sale of hot lunches to visitors, clothing sales and gifts and donations. The proceeds from sales of clothing and meals are periodically transferred to the state treasurer.

II. Recommendations from the Previous Audit Report

The last independent audit of the camp was for fiscal years ended June 30, 1976 and June 30, 1977. The audit report included 39 recommendations for improving internal control, reporting and compliance with statutes and regulations.

Following is a summary of those recommendations and the progress made by the camp in implementing each recommendation.

1. Maintain the Custodial Fund non-treasury bank account, but record the transactions on SBAS, at least monthly, via journal entries.

See current year audit recommendations #1.

2. Adopt policies requiring cancellation and supervisory approval of all invoices. Adopt procedures to insure that the policy is complied with.

Complied.

3. Require employees to record all cash sales. Provide for supervised reconciliation of cash sales and cash collections at each cut-off date prior to transfer of the cash to the Administrative Building for deposit.

Complied.

Take a physical count of the canteen inventory at least quarterly and reconcile it to inventory records and sales.

Complied.

4. Require the person reviewing bank reconciliations to compare prelistings to the deposits. Prelist every receipt.

Complied.

5. A more formal stores issue requisition form should be used. Initiation should be by the department requesting, with the signatures of the persons issuing and receiving the stores on each requisition.

Complied.

6. Re-orders for a purchase of new merchandise should be reviewed more carefully by the accounting technician... before preparation of a purchase requisition.

Complied.

7. Take a complete physical inventory of stores as soon as feasible and adjust the inventory records accordingly.

Partially complied. See current year audit recommendations #17 & 18.

8. Provide for closer supervision and control over the posting of purchases and issues.

See current year audit recommendations #18.

9. Take a physical inventory of fixed assets annually on or about June 30.

See current year audit recommendations #18.

10. Complete the schedules of age and condition for each equipment item.

Complied.

11. Insist upon proper documentation in the future for inter-agency transfers of vehicles and equipment.

Complied.

12. Include all employees on the time records and require approval of the time records by the superintendent, assistant superintendent, or director of counseling.

Complied.

13. Document the reason for travel and the choice of vehicle. Insure that the most economical mode of transportation is used.

Complied.

14. The Department of Administration Accounting Division should adopt a policy as to the consistent treatment of Workers' Compensation dividends or refunds each year by all state agencies.

The agency indicates that this has been done.

15. Establish subsidiary ledger control over loans to residents and supervise transactions to insure that all loans are authorized and repaid.

Complied.

16. The Department of Administration should establish procedures for the proper recording of accrued revenues and more specifically, grant revenue.

Complied.

17. Establish procedures for supervisory review of monthly financial reports, including follow-up regarding unusual or incorrect transactions.

Complied.

18. Report improper payments for the state share of health insurance premiums to the Department Director and obtain an opinion as to recovery.

Complied.

19. Establish and adhere to a camp purchasing policy that complies with statutory requirements and Purchasing Division regulations.

Complied.

20. Prepare a complete written report for the superintendent upon completion of the inventory, listing all significant shortages.

See current year audit recommendations #19.

21. Take steps to immediately inventory and list all surplus, obsolete or unsalable items in the storeroom. These items should be cleared out and disposed of in accordance with established Purchasing Division procedures.

Complied.

22. Establish general ledger control over all fixed assets as of July 1, 1977.

See current year audit recommendations #2.

23. Add equipment items each month by reference to SBAS details for equipment expenditures.

See current year audit recommendations #3.

24. Obtain data from the state Architecture and Engineering Division upon completion of each capital building project and enter appropriate description and cost data on the perpetual card system.

Complied.

25. Make a determination as to the potential usefulness of the sawmill and if it is determined to be useless, the mill should be disposed of through established procedures.

See current year audit recommendations #16.

26. Record the presently unrecorded building on the perpetual inventory records at its estimated fair market value.

Complied.

27. Evaluate and rewrite the cooperative agreement to more equitably allocate program costs between departments.

Complied.

28. The Department of Administration should publish uniform policies regarding property management and accountability.

Agency indicates that this has been done.

29. Request that Central Payroll Division undertake programming revisions to include longevity expense on the agency payroll reports generated by that division.

Complied.

30. Provide reference to the date of recording on source documents for payroll expense.

Complied.

31. Discontinue granting and accumulating compensatory time off for non-exempt employees and obtain an attorney's opinion as to the present legal status or possible exposure to litigation and as to a course of action with regard to payment.

Complied.

32. Prepare and issue IRS Form 1099 for receipts of contract related income.

Complied.

33. The Department of Administration should establish standard filing policies including method of organization and provide adequate supervision to insure that all accounting records are filed in one location and easily referenced and found.

Complied.

34. Obtain written authorization from the Department Director for, and an attorney's opinion as to the legality of, the use of the two state vehicles by the superintendent and assistant superintendent.

See current year audit recommendations #4.

35. Consider increasing meal prices and obtain written authorization for the employees' meal allowance. Consider charging forestry employees for meals.

Complied.

36. Establish procedures for cancellation for state-dated non-treasury checks in line with those set for cancellation of Treasurer's warrants.

See current year audit recommendations #8.

37. The Department of Administration should establish a policy statewide, for treatment of dormant fiduciary accounts.

Complied.

38. Include complete and detailed descriptions of all transactions within the Custodial fund and SBAS, and insure that all necessary substantiating documentation is attached to copies of source documents and referenced in the description.

See current year audit recommendations #5.

39. Review all employee leave files and records for accuracy and make corrections as necessary.

Complied.

SWAN RIVER YOUTH FOREST CAMP

Current Year Audit Recommendations

1. Maintain the Custodial Fund non-treasury bank account, but record the transactions on SBAS, at least monthly, via journal entries.

The camp has maintained the custodial fund non-treasury bank account, but has elected not to record the transactions on SBAS.

The books and records involving the custodial fund are maintained in a hand written journal and ledger. Only the transfers made to the state treasurer for the clothing sales and meal sales to visitors are reported on the Statewide Budgeting and Accounting System (SBAS) and no financial reporting is made apart from SBAS.

The agency should maintain all its accounts in one single, uniform accounting system to insure that all fund and transactions are reported.

2. Establish general ledger control over all fixed assets as of July 1, 1980.
3. Add equipment items each month by reference to SBAS details for equipment expenditures.

A card file is maintained at the camp with a perpetual inventory of fixed assets. Because of the fact that general fixed assets are reported as a separate fund on the statements they should be included on SBAS. To assure accuracy of the general fixed assets fund any additions or deletions from the fund should be entered as items are purchased or taken off the books.

4. Obtain written authorization from the department director for, and an attorney's opinion as to the legality of, the use of the two state vehicles by the superintendent and the assistant superintendent.

The superintendent and assistant superintendent each have the use of a state vehicle, and they commute from their homes to the camp and back in these vehicles. They have received oral permission from the department director for such use of state vehicles, and feel they need the vehicles for purposes of emergency call-backs in case of problems with the residents.

Section 53-517, R.C.M. 1947, provides that "a state officer or employee may not use a state owned or leased

vehicle for his own personal or private use".

The agency should obtain written authorization from the department director and an attorney's opinion regarding compliance with the statute, since commuting to and from their homes is generally construed as personal private use of a state vehicle and may be subject to income tax.

5. Include complete and detailed descriptions of all transactions within the custodial fund and SBAS, and insure that all necessary substantiating documentation is attached to copies of source documents and referenced in the description.

A majority of SBAS input documents, and the Custodial Fund cash receipts, and disbursements journal entries do not include an adequate description of the nature, purpose or authority for the entry or reference to substantiating documentation.

In several instances document encoding had been corrected by other agencies but agency copies had not been corrected to reflect the proper entries. We were advised that other agencies who make necessary corrections to SBAS documents, such as the Accounting Division of the Department of Administration, have discontinued the practice of sending written notices with respect to corrections.

6. Establish a policy for more complete review of building projects by responsible agencies to insure that payment is not made until work is satisfactorily completed.
7. The Housing and Maintenance Fund should be transferred from the non-treasury bank account to the state treasury at fiscal year end. As of June 30, 1980, it has not been transferred.

The agency is required to transfer these funds, which are primarily from the sale of meals to outsiders, at the end of the fiscal year.

8. Stale dated checks should be written off after they have been outstanding for one year. This should be done at six month intervals.
9. Listing references on deposit slips should be the same as those used in the cash receipts journal and on the cash receipts so they can be easily cross referenced.
10. Records of fixed assets should be maintained so that for particular divisions of the agency a certain employee

is accountable and responsible for property assigned to that division.

11. A work order system should be used for major repair jobs. This would insure that major repair jobs are entered into the fixed asset fund rather than expensed as supply items.
12. The fixed asset card catalogue needs to be accurately filed. The card catalogue is not in good order nor are the cards updated.
13. Establish procedures to provide employees the opportunities to fill out a new W-4 every year or two.
14. Establish a procedure to file all pink copies of "Payroll Status Form" together in each individual's personal file. At present the pink copies are put in the files at random which makes determining the current status of the employee quite time consuming. If the pink copies were filed together in chronological order, determining an employee's status would be relatively simple.
15. Establish a master file for all yellow copies of "Payroll Status Form". The file should contain only the yellow copy and contain all employees.

This file would be useful in determining if a status change had actually gone through the system at the correct time.

16. The planer part of the old sawmill mentioned in the previous audit points has been incorporated with the new sawmill. The rest of the sawmill equipment should be declared surplus and disposed.
17. One person is responsible for all the inventory control and warehousing. Purchasing and receiving of inventory should be segregated duties.
18. A physical count of inventory is not done on a regular basis. This should be done quarterly and supervised by persons not associated with physical control of inventory, purchasing, receiving and maintenance of inventory control records. Written instructions which detail inventory procedures should be prepared for those participating in the physical count. The physical inventory counts should be reviewed for reasonableness of amount by employees not involved in physical control of inventory.
19. Reconciliation of physical inventory to perpetual records should be reviewed by a responsible accounting official with proper resolution of all discrepancies by administrative personnel.

DEPARTMENT OF INSTITUTIONS
SWAN RIVER YOUTH FOREST CAMP
ALL FUNDS
BALANCE SHEET
JUNE 30, 1980

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Clothing Fund</u>	<u>General Fixed Assets</u>
<u>ASSETS</u>				
Cash in Treasury		\$ 10,643	\$ 6,302	
Inter-entity Loans				
Receivable		89,107		
General Fixed Assets				\$723,319
Appropriation Authority				
Available to Pay Accrued				
Expenditures and				
Accounts Payable	\$32,188			
Total Assets	<u>\$32,188</u>	<u>\$ 99,750</u>	<u>\$ 6,302</u>	<u>\$723,319</u>
<u>LIABILITIES AND FUND</u>				
<u>BALANCE</u>				
Inter-entity Loans				
Payable		\$ 89,107		
Accrued Expenditures	\$32,188	3,833		
Accrued Withdrawals			\$ 795	
Investment in General				
Fixed Assets				\$723,319
Fund Balance	-0-	6,810	5,507	
	<u>\$32,188</u>	<u>\$ 99,750</u>	<u>\$ 6,302</u>	<u>\$723,319</u>

DEPARTMENT OF INSTITUTIONS
SWAN RIVER YOUTH FOREST CAMP
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL FUNDS
For the Fiscal Year Ended June 30, 1980

	<u>General Fund</u>		<u>Variance -</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues:			
Sale of Documents, Merchandise & Property Rentals, Leases, & Royalties	\$ 100	\$ 168	\$ 68
Reimbursements Federal Assistance			
Total Revenues	<u>100</u>	<u>168</u>	<u>68</u>
Expenditures:			
Administration & Support	263,480	266,907	(3,427)
Developmental Services	<u>222,730</u>	<u>219,833</u>	<u>2,897</u>
Total Expenditures	<u>486,210</u>	<u>486,740</u>	<u>(530)</u>
Excess of Current Revenues Over (Under) Current Expenditures	(486,110)	(486,572)	(460)
Other Financial Sources (Uses)			
Prior Year Expenditure Adjustments	2,359	2,359	-0-
Prior Year Revenue Adjust- ments	20,778	20,778	-0-
Prior Year Income Adjust- ments	18,575	18,575	-0-
Support from (to) the General Fund	444,398	444,860	460
Interfund Transfers			
Excess of Revenues Over (Under) Expenditures & Other Sources (Uses)	-0-	-0-	-0-
Fund Balances July 1, 1979	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances June 30, 1980	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

SPECIAL REVENUE FUNDS

Federal & Private Revenue Fund			Revolving Funds			Totals (Memorandum Only)		
Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)
			\$ 16,316	\$ 20,150	\$ 3,834	\$ 16,316	\$ 20,150	\$ 3,834
\$ 50,000	\$ 95,687	\$ 45,687				100	168	68
121,500	69,243	(52,257)				50,000	95,687	45,687
						121,500	69,243	(52,257)
<u>171,500</u>	<u>164,930</u>	<u>(6,570)</u>	<u>16,316</u>	<u>20,150</u>	<u>3,834</u>	<u>187,916</u>	<u>185,248</u>	<u>(2,668)</u>
25,888	23,406	2,482	18,000	17,992	8	307,368	308,305	(937)
152,947	142,226	10,721				375,677	362,059	13,618
<u>178,835</u>	<u>165,632</u>	<u>13,203</u>	<u>18,000</u>	<u>17,992</u>	<u>8</u>	<u>683,045</u>	<u>670,364</u>	<u>12,681</u>
(7,335)	(702)	6,633	(1,684)	2,158	3,842	(495,129)	(485,116)	10,013
						2,359	2,359	-0-
(20,778)	(20,778)	-0-				-0-	-0-	-0-
(15,832)	(15,832)	-0-				2,743	2,743	-0-
101	101	-0-				444,398	444,860	460
						101	101	-0-
(43,844)	(37,211)	6,633	(1,684)	2,158	3,842	(45,528)	(35,053)	10,473
44,021	44,021	-0-	3,349	3,349	-0-	47,370	47,370	-0-
<u>\$ 177</u>	<u>\$ 6,810</u>	<u>\$ 6,633</u>	<u>\$ 1,665</u>	<u>\$ 5,507</u>	<u>\$ 3,842</u>	<u>\$ 1,842</u>	<u>\$ 12,317</u>	<u>\$ 10,473</u>

DEPARTMENT OF INSTITUTIONS
SWAN RIVER YOUTH FOREST CAMP
ALL FUNDS
SCHEDULE OF EXPENDITURES BY OBJECT
For the Fiscal Year Ended June 30, 1979

<u>EXPENDITURE OBJECT</u>	<u>Administration & Support</u>	<u>Developmental Services</u>	<u>Totals</u>
PERSONAL SERVICES			
Salaries	\$ 124,022	\$ 234,233	\$ 358,255
Hourly Wages	4,225	3,444	7,669
Employee Benefits	24,564	45,431	69,995
Total Personal Services	<u>152,811</u>	<u>283,108</u>	<u>435,919</u>
OPERATING EXPENSES			
Rent	182		182
Contracted Services	12,504	9,637	22,141
Supplies & Materials	68,394	2,710	71,104
Communications	6,388	75	6,463
Travel	2,403	699	3,102
Utilities	34,241		34,241
Repair & Maintenance	6,186		6,186
Other Expenses	118	34,785	34,903
Goods Purchased for Resale	17,992		17,992
Total Operating Expenses	<u>148,408</u>	<u>47,906</u>	<u>196,314</u>
EQUIPMENT	<u>7,085</u>	<u>31,045</u>	<u>38,130</u>
TOTAL EXPENDITURES	<u>\$ 308,304</u>	<u>\$ 362,059</u>	<u>\$ 670,363</u>

SWAN RIVER YOUTH FOREST CAMP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1980

Note 1. Significant Accounting Policies.

The statements are prepared from the reports generated by the Statewide Budgeting and Accounting System (SBAS).

The State of Montana utilizes a modified accrual basis of accounting. Expenditures are recorded on the basis of valid obligations while revenues are recorded when received in cash at the end of a fiscal year. All valid obligations against an appropriation are accrued as expenditures as provided by law. (Montana Administrative Manual Chapter 2-0240.40).

Inventory purchases are expensed as purchased and accordingly, are not reflected on the balance sheet.

Fixed assets are expensed as purchased in the various funds, and capitalized at cost in the General Fixed Assets Fund. No depreciation is recorded.

Note 2. Inter-Entity Loans Payable & Recievable.

The agency shows an Inter-Entity Loans Payable & Receivable in the Federal & Private Revenue Fund. This amount was an OSPI Grant not received by the agency at year end. The amount was accrued to properly reflect it as an amount receivable. It appears the agency incorrectly posted the amount as an accounts payable as opposed to a revenue account.

Note 3. Contingent Liabilities.

Annual and Sick Leave

The camp has a contingent liability for unused accumulated sick leave and annual leave. The state's policy is to pay terminating employees for their unused annual leave and one-fourth of their unused sick leave. The liability for and the expense of the accumulated leave is not recorded in these statements.

Note 4. Retirement Plan.

The agency's employees are covered by the Public Employees and Teachers Retirement systems, contributory plans under which the state contributes 5.55% and 6.25%, respectively,

of his gross wages and the employee contributes 6% and 6.125% respectively, of his gross wages to the plan. The agency incurred pension costs of \$22,096 during the fiscal year ended June 30, 1980. The State's policy is to fund accrued pension costs.

SWAN RIVER YOUTH FOREST CAMP
SCHEDULE OF CHANGES IN RESIDENT ACCOUNT BALANCES
JUNE 30, 1980

SCHEDULE II

	<u>Beginning</u> <u>Balance</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Ending</u> <u>Balance</u>
June 1980	\$ 7,387.95	\$ 3,898.82	\$ 2,940.30	\$ 8,346.47
May	5,935.18	4,976.91	3,524.14	7,387.95
April	8,223.25	4,721.79	7,008.79	5,935.19
March	8,069.00	3,524.63	3,370.38	8,223.25
February	10,352.65	3,472.82	5,756.47	8,069.00
January	11,928.75	3,715.86	5,291.96	10,352.65
December	16,807.41	4,933.39	9,812.05	11,928.75
November	16,706.23	13,038.45	12,937.27	16,807.41
October	19,538.79	6,797.08	9,629.64	16,706.23
September	7,232.40	18,577.52	6,271.13	19,538.79
August	4,039.57	11,505.34	8,312.51	7,232.40
July	4,504.27	3,534.14	3,998.84	4,039.57
Totals	<u>\$120,725.45</u>	<u>\$82,696.75</u>	<u>\$ 78,853.54</u>	<u>\$124,567.66</u>

SWAN RIVER YOUTH FOREST CAMP
SCHEDULE OF REMODELING PROJECT
JUNE 30, 1980

SCHEDULE III

Advertising Expense	
Independent Record	\$ 25.20
Treasure State Publishing	25.20
Daily Inter Lake	<u>25.20</u>
	<u>75.60</u>
 Contractor Expense	
Rexroat Art Tile	<u>\$20,136.60</u>
	<u>20,136.60</u>
 Total Disbursements	<u><u>\$20,212.20</u></u>

DEPARTMENT OF INSTITUTIONS



THOMAS L. JUDGE, GOVERNOR

1539 ELEVENTH AVENUE

STATE OF MONTANA

(406) 449-3930

HELENA, MONTANA 59601

October 15, 1980

Legislative Audit Committee
of the Montana State Legislature
Office of the Legislative Auditor
State Capitol
Helena, MT 59601

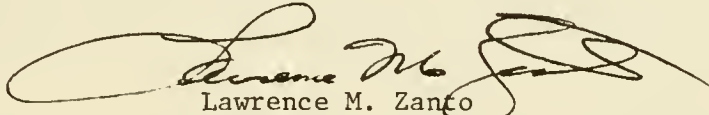
Gentlemen:

We have reviewed the audit report prepared by the firm of Jackson Davidson, Co., Certified Public Accountants, of the Swan River Youth Forest Camp.

The report provides a very welcome service and is sincerely appreciated.

Our response to recommendations is attached.

Sincerely,


Lawrence M. Zanto
Director

LMZ:jw

Attachment

SWAN RIVER YOUTH FOREST CAMP
AUDIT RECOMMENDATION AND RESPONSES

1. Maintain the custodial fund non-treasury bank account but record the transactions on SBAS at least monthly via journal entries.

Response: Swan River and the Department will contact the Department of Administration, Accounting Division and review this recommendation with them to see if it is possible to record the Custodial Accounts on SBAS without putting the cash into the State Treasury.

2. Establish general ledger control over all fixed assets as of July 1, 1980.

Response: This recommendation will be implemented. The Department of Institutions is working with the Department of Administration to determine if the Fixed Assets portion of the SIMS system can be maintained instead of the PAMS System.

3. Add equipment items each month by reference to SBAS details for equipment expenditure.

Response: The Youth Camp agrees with this recommendation.

4. Obtain written authorization from the Department Director for an attorneys opinion as to the legality of the use of two state vehicles by the Superintendent and assistant Superintendent.

Response: The Youth Camp agrees with this recommendation and will request the authorization in writing from the Department Director.

5. Include complete and detailed description of all transactions within the custodial fund and SBAS and insure that all necessary substantiating documentation is attached to copies of source documents and referenced in the description.

Response: The Youth Camp agrees with this recommendation.

6. Establish a policy for more complete review of building projects by responsible agencies to insure that payment is not made until work is satisfactorily completed.

Response: This recommendation should be directed to the Department of Administration, Architecture and Engineering Division. They are responsible for all construction from planning to bill paying.

7. The housing and maintenance fund should be transferred from the non-treasury bank account to the state treasury at fiscal year end. As of June 30, 1980 it has not been transferred.

Response: The Youth Camp agrees with this recommendation.

8. Stale dated checks should be written off after they have been outstanding for one year. This should be done at six month intervals.

Response: The Youth Camp agrees with this recommendation. The Departments Central Office will assist with the implementation of this recommendation.

9. Listing references on deposit slips should be the same as those used in the cash receipts journal and on cash receipts so they can be easily cross-referenced.

Response: The Youth Camp agrees with this recommendation.

10. Records of fixed assets should be maintained so that for particular divisions of the agency a certain employee is accountable and responsible for property assigned to that Division.

Response: The Youth Camp partially concurs with this recommendation. This is now being done in some areas such as mechanical shop equipment, however, the use of some fixed assets by several different employees and shared by a different program would make assigning responsibility and accountability extremely difficult.

11. A work order system should be used for major repair jobs.

Response: The Youth Camp agrees with this recommendation.

12. The fixed asset card catalog needs to be accurately filed. This is now being implemented.

13. Establish procedure to provide employees the opportunity to fill out new W-4 every year or two.

The Youth Camp will distribute W-4 forms to each employee the first of each calander year, however, it is still the employee's responsibility to keep the W-4's current.

14. Establish a procedure to file all pink copies of payroll status form together in each individual personal file.

Response: The Youth Camp, with the help of the Departments Central Office, will revise the filing system for the Payroll status forms to segregate the current from the outdated and facilitate easy reference.

15. Establish a master file for all yellow copies of payroll status forms. The file should contain only the yellow copy and contain all employees.

Response: The Youth Camp, with the help of the Departments Central Office, will revise the filing system for the Payroll Status forms to segregate the current from the outdated and facilitate easy reference.

16. The planer part of the old sawmill mentioned in the previous audit point has been incorporated with the new sawmill. The rest of the sawmill equipment should be declared surplus and disposed of.

Response: The Youth Camp agrees with this recommendation.

17. One person is responsible for all the inventory control and warehousing, purchasing and receiving of inventory should be segregated through these.

Response: One person is not responsible for all purchasing and receiving. The youth camp will review current practices and further separate these responsibilities if necessary.

18. A physical count of inventory is not done on a regular basis. This should be done quarterly and supervised by persons not associated with physical control of inventory. Purchasing, receiving and maintenance of inventory controll records. Written instructions which detail inventory procedures should be prepared for those participating in the physical counts. The physical inventory counts should be reviewed by four reasonableness of amounts by employees not involved by the physical control of inventory.

Response: If time is available the Youth Camp will take a quarterly physical count of their inventory.

19. Reconciliation of physical inventory to perpetual inventory records should be reviewed by a responsible accounting official with proper resolution of all discrepancies by administrative personnel.

Response: The Youth Camp agrees with this recommendation. The Assistant Superintendent will be responsible for this reconciliation.

